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CAPITAL CORPORATION

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April 14, 2008

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RE: Supplemental Information regarding Arizona Public Service Company's  
Application for Approval of CSP Purchase Power Agreement;  
Docket No. E-01345A-08-0106

Dear Parties of Record:

On February 21, 2008, Arizona Public Service Company ("APS" or "Company") filed an application for approval of a Purchase Power Agreement ("PPA") where APS would procure the full output from a 280 megawatt concentrating solar power ("CSP") plant ("Solana Generating Station" or "Solana"), which will be constructed, owned and operated by Arizona Solar One LLC, a subsidiary of Abengoa Solar Inc. The Solana PPA includes contractual terms that require regulatory approval within a specific timeframe. To facilitate a timely resolution of this matter, the Company has conferred with Commission Staff and the parties who have intervened in this matter. As a result of these discussions, the Company recognized that some clarification of the application was needed regarding the specific approval that APS is seeking in this docket; therefore, the purpose of this letter is to provide that clarification for the Commission, the Staff and the parties.

APS is seeking approval of the Solana PPA pursuant to the Renewable Energy Standard rules, specifically R14-2-1804(G), which provides for pre-approval of agreements to purchase energy or Renewable Energy Credits from Eligible Renewable Energy Resources. Because payments under the Solana PPA will not begin until 2011, which is when the Solana Generating Station is expected to be operational, it is not necessary that a specific funding method be identified at this time. The specific findings that APS is seeking in this pre-approval docket include:

1. The Solana PPA was selected through a fair and competitive bid procurement process.
2. The Solana PPA is an Eligible Renewable Energy Resource, pursuant to R14-2-1802.
3. Taking into account the alternative proposals available to the Company, the Solana PPA is a reasonable means of achieving the RES targets and will provide a reasonable means of complying with the long-term RES requirements.

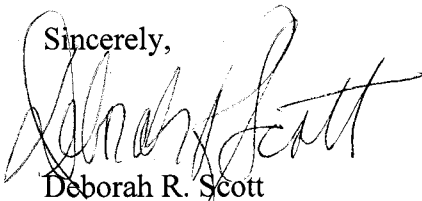
APS • APS Energy Services • SunCor • El Dorado • Pinnacle West Marketing &amp; Trading, Co., LLC

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4. For the above reasons, the Solana PPA is approved pursuant to R14-2-1804(G).
5. The above market costs of the Solana PPA are recoverable either through the RES surcharge or other mechanism determined by the Commission in a future proceeding.

The Company hopes that this clarification will facilitate the timely resolution of this matter without the need for an evidentiary hearing. If you have any questions, or wish to discuss further, please call me at 602-250-5508.

Sincerely,



Deborah R. Scott

cc. Parties of Record  
Ernest Johnson  
Janet Wagner  
Charles Hains  
Terri Ford  
Steve Irvine  
Docket Control

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